



**STATE OF INDIANA REVOLVING FUND PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
OMB CIRCULAR A-133 AUDITORS' REPORTS**

June 30, 2006

**STATE OF INDIANA REVOLVING FUND PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

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*Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards*

Year Ended June 30, 2006

Indiana Finance Authority
State Revolving Fund Programs

We have audited the financial statements of the State Revolving Fund Programs (enterprise funds of the Indiana Finance Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the State Revolving Fund Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Revolving Fund Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 11, 2006

**STATE OF INDIANA REVOLVING FUND PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006**

	CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Wastewater State Revolving Funds	66.458	CS180001-06	\$ 21,135,427	<u>\$ 21,135,427</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS985655-98	1,028,484	122,923
	66.468	FS975786-01	380,924	74,693
	66.468	FS975486-02	203,204	84,324
	66.468	FS975486-02	500,000	947
	66.468	FS985655-02	175,000	175,000
	66.468	FS975486-03	1,000,000	191,551
	66.468	FS975486-03	142,000	142,000
	66.468	FS985486-05-1	1,473,150	1,473,150
	66.468	FS985486-06	9,310,968	9,310,968
	66.468	FS985486-06	1,046,500	1,046,500
				<u>12,622,056</u>
				<u><u>\$ 33,757,483</u></u>

**STATE OF INDIANA REVOLVING FUND PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State of Indiana Revolving Fund Programs and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements

NOTE 2 - SUBRECIPIENTS

The State of Indiana Revolving Fund Programs provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided
Capitalization Grants for Wastewater State Revolving Funds	66.458	\$21,135,427
Capitalization Grants for Drinking Water State Revolving Funds	66.468	12,147,618

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*Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133*

Year Ended June 30, 2006

Indiana Finance Authority
State Revolving Fund Programs

Compliance

We have audited the compliance of the State Revolving Fund Programs (enterprise funds of the Indiana Finance Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The State Revolving Fund Program's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State Revolving Fund Program's management. Our responsibility is to express an opinion on the State Revolving Fund Program's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State Revolving Fund Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State Revolving Fund Program's compliance with those requirements.

In our opinion, the State Revolving Fund Programs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control over Compliance

The management of the State Revolving Fund Programs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State Revolving Fund Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the State Revolving Fund Programs (enterprise funds of the Indiana Finance Authority), as of and for the year ended June 30, 2006, and have issued our report thereon dated October 11, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the State Revolving Fund Programs, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapp & Miller, LLP

Indianapolis, Indiana
October 11, 2006

**STATE OF INDIANA
STATE REVOLVING FUND PROGRAMS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006**

SECTION I

Summary of Auditors' Results

Katz, Sapper & Miller, LLP has issued an unqualified opinion on the combined financial statements of the State of Indiana State Revolving Fund Programs as of and for the year ended June 30, 2006.

Katz, Sapper & Miller, LLP has also issued an unqualified opinion on the types of compliance requirements described in U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to the State of Indiana State Revolving Fund Programs' major federal programs for the year ended June 30, 2006.

For the year ended June 30, 2006, there were no audit findings to report under OMB *Circular No. A-133*.

The programs identified and tested as major programs were:

CFDA Number	Agency	Title
66.458	U.S. Environment Protection Agency	Capitalization Grants for State Revolving Funds
66.468	U.S. Environment Protection Agency	Capitalization Grants for State Revolving Funds

The threshold used to distinguish between type A and type B programs was \$1.0 million.

Auditee qualified as a low risk auditee X Yes _____ No

SECTION II

Financial Statements Findings

None

SECTION III

Federal Award Findings

None